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SUBJECT: DRC DECEMBER MONTHLY ECONOMIC REVIEW

Summary

[1](#)1. (U)

- The Central Bank's foreign exchange reserves remain below target.
- Several artisanal miners died after a clash with police in Katanga province.
- DRC's water authority terminated two managers for alleged corruption.
- Spanish/Congolese airline Bravo Air Congo increased its domestic fleet by adding a DC-9.
- According to Post's market basket survey, December consumer prices decreased by over two percent compared to November, and the Congolese Franc (CF) appreciated against the USD. End summary.

Anti-Corruption

[1](#)2. (U) The management committee of REGIDESO (DRC's water authority) has terminated two supervisors on charges of falsifying bid tender documents in exchange for payments of approximately USD 53,000 each.

Aviation

[1](#)3. (U) Spanish/Congolese-owned Bravo Air Congo, took delivery of another DC-9, adding to its domestic DRC service fleet.

[1](#)4. (U) Fourteen known plane crashes occurred in the DRC in 2006; fifteen occurred in 2005.

Energy

[1](#)5. (U) The Minister of Economy suspended preferential tariff rates that SNEL (DRC's electric power parastatal) had granted to several of its largest customers. These reductions totaled about USD 450,000 according to SNEL officials. (Comment: The customers who had received the reductions, however, are among the few who pay their electricity bills in the DRC. End comment.)

Finance/Development Aid

¶17. (U) The DRC's Central Bank Governor announced that the GDRC's foreign reserves are at two and a half weeks, well below the current target of about five weeks.

¶18. (U) The banking sector has experienced growth in 2005, according to the Central Bank. The GDRC has licensed three new commercial banks, Invest Bank of Congo, Mining Bank of Congo and Sofibanque, bringing the total to 15. The Central Bank Governor also announced: a 231 percent increase in deposit accounts, rising from USD 162 million to USD 523 million; a 35 percent increase in credit extended, rising from USD 264 million to USD 365 million.

¶19. (U) The Chinese press agency Xinhua reported that the Government of China is preparing to donate USD 2.5 million to the GDRC for unspecified reconstruction projects.

Intellectual Property Rights

¶10. (U) The DRC's Minister of Culture held a seminar with Congolese musicians to discuss the infringement of intellectual property rights. Congolese musicians regularly complain that the GDRC fails to enforce music copyrights.

Labor

¶11. (U) Employees of three of the GDRC's main revenue collection agencies went on strike for two days to demand payment of salary arrears and pay bonuses. The striking employees work for DGI (income tax), DGDRD (administrative, real property and judicial payments) and OFIDA (customs). Negotiations between the strikers' unions and the Minister of Finance ended the work stoppage.

¶12. (U) Employees in the Orientale province governor's office are on strike, demanding payment of over one year of salary arrears.

Mining

¶13. (U) The CEO of Nikanor, a London Alternative Investment Market-listed company closely associated with Israeli Dan Gertler, said the company is interested in buying assets of other copper/cobalt operations in the DRC or Zambia, although he announced no specific plans. Nikanor is developing three open-pit mines in the DRC, via a joint venture agreement with Gecamines (DRC's copper/cobalt mining parastatal).

¶14. (U) As many as seven persons reportedly died December 28 in a clash with police near Lubumbashi, Katanga, when CHEMAF, an Indian-owned copper mining company, forcibly removed artisanal diggers from its property.

Transportation

¶15. (U) The DRC's public maritime shipping company (CMDC) is trying to obtain two 15,000 ton ships; the acquisitions would be CMDC's first in a decade, which currently has no ships. CMDC is reportedly working with ONATRA (DRC's port authority) to install an improved cargo handling system to meet its projected handling needs at the DRC's main maritime port, Matadi, in Bas Congo province.

Consumer Inflation Rate

¶16. (U) Post's market-basket survey indicates a 2.4 percent December consumer deflation rate and a year-to-date cumulative inflation of 21 percent. The IMF and Central Bank calculate annual inflation for 2006 at 18.2 percent. (Comment: Differences between the estimated inflation rates are in part because the IMF and Central Bank

includes higher cost items such as health care and leisure care costs, and also because Post calculates real, rather than official, transportation costs. End comment.)

Exchange Rate

¶17. (U) The Congolese Franc (CF) appreciated by five percent against the USD in December, according to the Congolese Central Bank's official exchange rate.

Week ending 12/08 12/15 12/22 12/30

Central Bank Rates: 529 519 512 503

Parallel Rates

Kinshasa	530	520	515	510
Lubumbashi	525	530	520	515
Mbuji-Mayi	530	530	520	510
Bukavu/Goma	535	535	520	515
Kisangani	530	535	525	525
Matadi/Boma	530	530	530	530

MEECE